

The Detroit News



DetroitNews.com

Amazon set to build Romulus facility with \$5M grant

Michael Gerstein, and Jennifer Chambers | 1:04 a.m. ET June 27, 2017



(Photo: David Ryder / Getty Images)

Amazon.com Inc. will go forward with plans to build a Romulus warehouse that would create a promised 1,600 jobs after the Michigan Strategic Fund board approved Tuesday a \$5 million grant for the online company.

Ryan Wilson, a manager of economic development at Amazon, told the quasi-public Michigan Strategic Fund board Tuesday that the new project would allow the company to process orders quicker for the Midwest.

A memo from the board said, "The applicant has demonstrated a need for the funding."

Amazon reported a \$724 million profit for the first quarter of 2017.

Wayne County Executive Warren Evans lauded the planned development and had been involved in facilitating the deal. He defended funneling state money to Amazon despite the company's big profits and said such incentives are necessary to make sure Michigan lands new jobs when companies expand.

"Maybe over here you can argue it isn't, but when you're in a bidding war it certainly is," Evans said. "I mean, you've got to be able to out-compete those competitors."

The Seattle-based company was considering other Midwestern states and Canada for its "regional fulfillment center," according to the memo.

The grant will help the company make up for the overall \$13.5 million cost of road widening and resurfacing, and for building a new road the company says it needs for the 84-acre site, according to the Michigan Economic Development Corp.

Other states had offered tax incentives and cash payouts to the company to set up its new warehouse, according to Josh Hundt, vice president of business development projects for the MEDC. Hundt did not divulge the value of those proposed incentives.

Amazon previously got \$7.5 million from Michigan in 2016 for a Livonia project that is supposed to create 1,000 jobs. Construction for that warehouse is still ongoing, the memo said. MEDC officials said they did not yet know about the second Michigan project when they approved the first.

Praising the deal Tuesday were state Sen. Hoon-Yung Hopgood, D-Taylor; Rep. Erika Geiss, another Taylor Democrat; and Romulus Mayor LeRoy Burcroff. They urged the board to approve the development incentive.

Burcroff said the new warehouse could be the "catalyst" for developing about 1,000 acres of land north of the airport in Romulus.

"And I think it's gonna be great for the whole state," he said.

Ken Dalto, a retail industry analyst, said Monday the fulfillment centers help Amazon deliver products more quickly within a 100-mile radius of those centers.

"Amazon is taking over the world," Dalto said. "They want to be able to (fill orders) quickly," and locating two new facilities in Livonia and Romulus would put a new distribution arm within a few-hours drive of all of the most population-dense cities in Michigan, and some big cities in Ohio, and northern Indiana.

Dalto added he expects Amazon would soon look to open a similar facility somewhere on the west side of Michigan.

Holly Sullivan, an Amazon senior economic development manager, said in December when the company won a grant for its Livonia locations that Amazon fulfillment centers are “highly automated.”

The board also approved a \$4 million subsidy for gas turbine manufacturer Williams International Co. to move its headquarters from Commerce Township to the site of the former Motown Motion Picture Studio — which was also known as Raleigh Studios. The state money is targeted at paying for the retrofitting of the Pontiac facility. The area has been declared a virtually tax-free Renaissance Zone for 15 years.

Williams International indicates its military and commercial business is growing, which should result in \$344.5 million in private investment and the creation of 400 jobs on top of its existing 500 staffers, according to a briefing memo.

The company had explored other sites in Alabama and Utah, where it has operations, according to the document.

This is not the only subsidy the state has paid for the Pontiac film studio site. In 2015, the state Legislature redirected any unspent 2016 fiscal year movie incentive money to repay a state pension fund for losses incurred on \$18 million in bonds it guaranteed for the construction and operation of the Pontiac complex.

In 2012, Raleigh Studios failed to make a \$630,000 payment on its film facility construction bonds, resulting in the State of Michigan Retirement System paying \$420,000 under an agreement by the former Granholm administration. The film studio was backed by wealthy benefactors including the Taubman family and Walbridge Co. CEO John Rakolta Jr.

Staff Writer Ian Thibodeau contributed